



**SF 194** – Performing Arts Centers Sales Tax Exemption (LSB1294SV)  
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Fiscal Note Version – New

### **Description**

Section 1 of [Senate File 194](#) provides a sales tax exemption for the purchase of goods used in the operation of a nonprofit performing arts center. Section 2 allows the sales tax paid for construction materials and services used to build a nonprofit private performing arts center to be refunded upon application to the Iowa Department of Revenue.

### **Assumptions**

#### Section 1:

- The number nonprofit performing arts centers currently operating in Iowa is 52.
- Based on information from the Iowa Arts Council, the estimated average annual costs of operating a nonprofit performing arts building subject to sales tax is \$82,000.
- Operational costs are estimated to increase by an inflation factor of 2.86%.
- The statewide local option sales tax (LOST) effective rate is 0.074%.

#### Section 2:

- The average cost of constructing a performing arts center in 2009 was \$2.1 million. Approximately \$800,000 is for material costs and would be exempt from sales tax due to Senate File 194.
- The number of nonprofit performing arts center constructed in future years is currently unknown.

### **Fiscal Impact**

**Section 1:** The estimated fiscal impact of Section 1 of SF 194 is provided in the following table:

**Fiscal Impact of Section 1 of Senate File 194**

	<b>Sales/Use Tax</b>	<b>State General Fund</b>	<b>SAVE Fund</b>	<b>LOST</b>
FY 2010	\$ -263,157	\$ -219,298	\$ -43,860	\$ -32,456
FY 2011	-270,683	-225,569	-45,114	-33,384
FY 2012	-278,425	-232,021	-46,404	-34,339
SAVE = Secure an Advanced Vision for Education				
LOST = Local Option Sales Tax				

**Section 2:** The average sales tax refunded due to Section 2 is estimated at approximately \$50,000 per project. However, the overall fiscal impact of Section 2 is currently unknown and will be based on the number of projects.

## **Sources**

Iowa Department of Revenue  
LSA Calculations

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the correctional and minority impact statements were prepared pursuant to [Section 2.56](#), [Code of Iowa](#). Data used in developing this fiscal note, including correctional and minority impact information, is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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